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THE NEW MARKETING

BY CAROLINE E. MACGILL

A DOZEN years ago a seminar in a certain great University busied itself with a study of Malthus and his dicta concerning population. Famine, it was decided, was no longer to be counted among the checks, because the development of transportation put all parts of the world in close touch with each other, and a shortage of food in one quarter would be quickly met by shipments from another. We acclaimed the advantages of our age by which we ate lamb from Australia and butter from Denmark, we who dwelt in the chief dairy county of one of the leading dairying States of the Union. We were offered cheese from a State a thousand miles away, in spite of the fact, which perhaps we did not know, that a dairy forty miles off was consistently taking prizes for the best cheese made. At the same time in the economics classes we were being taught, or teaching, that the law of diminishing returns had one curious exception, the railroads. For them there was an unlimited possibility of use with proportionally resultant profit. It was, however, acknowledged that the field of distribution was the least known, and the least tilled, within the economic estate.

These ideas were reflected in the popular economics of the political arena. The railroads were the victims of laws and investigations without number, whose end was pretty much a foregone conclusion. The newspapers and leading orators of the Granger States forgot the extent to which they owed their existence to the railroad, and put fares down and regulated rates and put taxes up with a merry insouciance which recalled the gleeful possessor of the goose in the fable. In self-defense the railroads tried various schemes, such as the pooling of freight traffic. At once the vigilant suspicion of the demagogue pounced upon them, and pools were made illegal. They dimly perceived that it cost more per ton mile to haul goods a short distance than a long one,

and that wholesale business could be carried more cheaply than retail. The ignorant and sometimes arrogant public pounced again, and we heard of the iniquities of charging more for less than car-load lots and for short hauls than for full train-loads and through traffic. No slogan was politically more auspicious for the would-be Solon than railroad regulation.

The railroads have been the greatest single economic factor in the development of the United States. Yet no other industry has been so persistently fought by the very people whose whole economic existence depended upon it. It began with the first charters. Many cities forbade entrance to the new device, like Providence and Buffalo. The State of New York hampered the building and extension of railroads in a fashion that would have been economic suicide if Dame Nature had not decreed, several æons earlier, that the route from the West to the East which could be best utilized by a railroad lay through the Mohawk Valley. Then there were the burdens of ignorance. The mistakes of the first builders were funny beyond measure, if we do not look too closely and see what tragedy lay in them. The road, for instance, which was built for eternity, with sills of granite; and which in less than three years had to be torn up and re-laid. Or the road which was built on stilts, to avoid the danger of grade crossings; which also had to be rebuilt, because the rapidly increasing weight of the trains was too heavy for the structure. Or the many years when dead weight was carried over the driving wheels of engines, to increase the *stiction* and prevent them from dancing gaily off the tracks provided for well-behaved locomotives.

But the ignorance of the consuming public was the greatest of all. No one knew, or could accurately forecast, what the capacity of the new vehicle was to be. Therefore it suffered from both sides, from underestimation of its powers and from impossible demands. The public has demanded that the railroad serve it when and how it wills, for special service, and at short notice, without stopping to find out whether the payment has been adequate for service rendered. But the fact that the roads have built up an enormous contributory traffic territory largely by their own exertions has resulted in another form of

pressure from stockholders demanding big incomes from their investments, whether legitimate or illegitimate.

The war taught us much. For one thing, that suave, world-economy, famine-impossible idea received a blow from which it will never recover. We have seen famine in the most highly civilized of countries. We have seen it threaten our own rich and over-prosperous land. People in New England had a bad scare, if they did not close their eyes to the facts, during the winter of 1917-1918, and to some extent the following year. The lesson ought to be still with us. We realized, all over the industrial East, indeed, that anything which disturbed the equilibrium of our transportation system threatened us in that most vital spot, our food supply. Prices soared. Some things were not to be had at any price. Coal, upon which our living depended quite as strictly as wheat, could only be had in the fire-proof qualities, which were poor comfort in a New England winter. We saw, or half-way saw, that something was wrong with our national economy. We were too much detached from our sources of food-supply. So we had a great fad of war-gardens, amused ourselves with putting up beans and peas for winter, and secured some healthy exercise out of it, as well as sometimes a valuable addition to our dietaries.

Someone was once heard to ask, Why have our great Eastern cities preferred to buy food from Nebraska and Oregon, rather than that grown in New York and New England? There are several reasons. One is that undeniably the Western farmer has been more of a business man. He has realized the nature of his market, what his competition would be, and has been willing to work to gain control. Take for instance the item of cheese. The Wisconsin cheese makers, under the guidance of the State University, have developed their industry to a very high degree, and their cheese sells in the Eastern markets in a bewildering variety. They have studied the tastes and needs of the city consumer, and put up many brands in neat and inexpensive packages, small in bulk, to suit the nature of city life, where often supplies can be laid in but for the day. New York used to make good cheese, but under the influence of heaven knows what passed a law making the finer kinds of cheese impossible to produce, largely because

the framers were ignorant of the chemistry of cheese, and thought it the same as butter, "only different."

Apples form another item of food, eminently good and wholesome, but have almost gone out of the dietary of the low-salaried city dweller, because of their price. New York State produces some of the finest apples grown in the world. So does New England. Yet all one can find on the stands are the very poor and inferior qualities, or the big beauties from Washington and Oregon at five to ten cents each.

The industrial cities of New England eat bread made from flour brought from Minnesota. Some of it perhaps comes from Manitoba. They eat rice from Louisiana. These States and Province have spent millions for draining their swamp lands and opening them for the cultivation of food-grains, with many others. And these are the States and Province which to the Eastern mind are composed of limitless acres of fertile prairie. Yet Massachusetts contains five hundred thousand acres of cultivable land which could be cheaply drained and made available to lessen the cost of food to her toilers in the factories. The State Secretary of Agriculture has written and talked for years about the wisdom and need of this improvement, but he is laughed out of court by the farmers and legislators, who tell him fatuously that the thing cannot be done.

Now it is demonstrable that a large part of our complicated and criss-cross system of marketing is due to the kind of transportation we have. The railroads, beset on all sides, developed the traffic which best enabled them to pay dividends. Of course, economically, goods should be sold as near the point of origin as possible. The larger development of marketing means a stabilizing and equalizing of products and prices, which is of great advantage to the consumer, but it should not displace that economic independence upon which each region depends, and must depend in any time of stress or disturbance. It is well to remember that the railroad started as an improvement upon the stage-coach and freight wagon. It was meant to run over common roads, slightly improved, and to be at the command of each producer for his own individual needs.

Nicholas Cugnot, in 1771, invented a locomotive engine whose

outline and plan is far nearer to the modern motor truck than it is to the steam locomotive with which we are familiar. We have forgotten that he existed; only the curious know his name or fame. But in the modern development of his dream lie the "New Marketing" and the solution of our transportation problems. Anyone who has travelled much upon the highways leading between our cities knows the tremendous growth of the "ship by truck" idea. It is the one economic method by which we can produce and market our goods nearly together. This does not mean that the railroads are to go out of business. There will always be an enormous business in the very articles which for the railroads form the cream of their traffic. We cannot grow coal where we will, nor sand, nor gravel, nor ore, nor wool, nor leather, nor meat, nor machinery, nor many other things which are in their nature peculiar to a certain locality. We will probably continue to carry shoes and cotton cloth all over the world, and import coffee and sugar, not to mention thousands of other things. But there is no need that five hundred pounds of anything consigned to Owatonna, Minnesota, should necessitate the stopping of a whole train going through to the coast. Much better that a trainload of similar articles be delivered to St. Paul, and thence to Owatonna and all the neighboring towns by the fast, free-running, accommodating motor-truck.

It has been stated that the railroads to-day are losing not less than \$50,000,000 a year on less-than-carload business. The gross earnings of the roads upon local business probably averages about eight per cent of their total earnings, or approximately \$350,000,000 a year. Most of the loss and damage expense of the railroads, which has been increasing until it now amounts to over two per cent of all freight earnings, is in local business. This item would take about fifteen to twenty per cent of the gross earnings from that source.

Again, the bulk of the heavy investment of the roads for terminals, and most of the freight-house expenses, are for local traffic. This is also responsible for much of the second greatest source of waste and loss that the roads must make up for in some way, light loading. Shippers and consumers have united in forcing pressure on the roads to send out trains loaded to less, often

much less, than maximum capacity. They have been reinforced in some States by legislation. Of course this has been made to bear the specious appearance of public necessity for prompt and frequent shipments, but, as we are learning by our present costly experiment, it is more in the nature of shifting a tax on posterity, for the roads cannot keep going under such handicaps, nor can we get on without them. Someone must ultimately pay the bill.

There must be a differentiation between the long and the short haul business, and division between the two methods of carriage. Each will get that which is most to its advantage, a situation not infrequently the result of a division of labor, in spite of often expressed fears to the contrary. The paying business of the railroads is the long-haul, through traffic. Let them take it and keep it, making shipments only between the great jobbing centres, except in the case of a producer, such as a mine, a grain centre, or a great industrial plant or group of plants, whose products are large enough to permit of carload or trainload shipments. The local, short-haul business, unprofitable for the roads, but very profitable for trucks, should be handed over to the latter, either by the formation of trucking companies, such as are appearing already, or by means of trucks owned by individual shippers or consumers. Without doubt both systems will develop side by side, to meet particular needs. They are already doing so. The "ship by truck" campaigns are merely one expression of a movement that is greater than most people realize, to reorganize our transportation business upon an economic basis.

The reorganization of distribution is of still greater importance. It has been a fact that Washington State was nearer to New York City than the Champlain Valley, economically speaking. Thus New York was placed in a position of economic dependence upon a region so far distant that its lines of communication were easily cut. That has meant high prices for foodstuffs in New York, and low prices for land in Northern New York State. Long distance food-carrying is expensive and often a loss to the railroads, from damage and spoiling during shipment. The producer gets only a fraction of the market price of his goods, while the consumer pays several prices, for each of the hands through

which articles have passed. These evils are apparently now being corrected through the medium of the motor trucks. Their number is growing by leaps and bounds. The limitations upon their usefulness, such as the difficulty of economic employment where frequent stops are to be made, at short intervals, may reasonably be expected to disappear in a few years, with increasing efficiency of design. The heavily loaded trucks are already a familiar sight upon our roads. It is one of the most hopeful features of the life of our time, this development of a flexible, free-running, easily adaptable means of transportation. The railroad, superior beyond a doubt in its own field, has been a cumbersome device for local and package traffic. It has always had to be supplemented by some variety of truck for individual deliveries. Therefore, there is one transshipment eliminated, and every handling less means so much lower cost for labor and possible damage.

From the point of view of population, the railroad has tended towards the increasing of urban centres. The truck and the passenger car can easily have the reverse tendency. The city has, undeniably, advantages that we are loath to forego, once we have tasted them. But with a flexible and speedy means for ingress and egress, for bringing out city comforts and luxuries, and carrying in farm products in such a state that they will command the best prices, at a minimum cost for carriage, the tide may be turned the other way. To some extent, this is already happening in the districts where a "barge" or auto-bus is used to collect the school children, and take them to a central, well-equipped school. It is being done to solve the labor problem on the farm, as well, and could easily be more commonly employed. Men are brought out each day from the city or town to their work, and returned at night.

As a prime factor in that long-neglected, little understood field of economics, distribution, the motor truck has possibilities never before dreamed of, either for population or goods. It seems to combine every necessary requisite. It is flexible, not confined to a set of tracks, with the delays of sidings and waits for passing trains, or the expense of duplicate railways. It can go almost anywhere. It has all the speed one could wish; it is capable

of carrying large loads, either in weight or bulk. It can be kept to a schedule, if necessary, or can be quickly ready in an emergency. Delays and accidents on the road are decreasing, and will continue to decrease, in proportion to the number of vehicles in use, as design and manufacture improve.

With such an adjunct, it is not difficult to forecast the change, especially as it is developing rapidly. Naturally, the effect is first to be seen from the city outward. That has always been the economic law of the market, the extension of the city business. But the converse is also near, the development of a more adequate food-supply within the radius of the city's sphere of influence. It ought not to be possible, in another ten years, for a city to be in the plight which faced Boston in 1918, in the midst of an unusually hard winter, a famine in food and fuel. The fuel must be brought from a distance, the food need not be; certainly not to the extent that it has been in the past.

Nor is Boston necessarily peculiar. Almost any industrial city of the East could easily be in the same danger, given an unusual state of affairs which clogged up the railroads. New York knows what could happen if trains running into the city were to stop. But even a strike of a chauffeurs' union could not seriously interfere with traffic, when the means of transportation can be operated so easily. There are too many men and women, even children, who can run an automobile, to permit a strike to be successful. The "natural monopoly" of the railroad, which we studied in Economics a scant dozen years ago, is gone, and forever. Nothing can remain a monopoly which is within the capacities of every normal human being.

The "New Marketing", therefore, like many new things, is essentially old. It is a return from the complicated to the simple, often the most genuine mark of progress. It embodies, as the first factor, the relation of the city to its surrounding country, and the country to its focal point, the city. The two have grown too far apart, both economically and spiritually. Yet in fact their interests are identical; they form one community. The trouble has been that the railroad, from the economic necessities of its existence, has forced apart the two, in bringing places far apart into contact. That has been useful, but it should not have been

permitted, either for our social or material well-being, to destroy the closer geographical relationship.

Some of the railroads are bitterly opposing the coming of the motor truck. In the same fashion did the great wagoning companies oppose the coming of the railroad. It is quite useless. And moreover it is actually to the advantage of the railroads, as we have shown, to hand over their local, less-than-carload-lot business to the motor truck. It means a simpler, more direct marketing of goods, both from and towards the city; a swifter, more economical distribution of people and goods, with a result of the elimination of expensive handlings, waste, and loss from spoilage or accident, consequently lower prices for the consumer, and proportionally higher prices for the producer; and a far greater stability in the conditions of supply and demand, because producer and consumer can keep in closer touch with each other. Capital investments can be lessened, because of the more rapid turnover, and for the same reason much of the seasonal character of certain industries, like the shoe trades, can be rectified. That foggy region of Economics, Distribution, seems in a fair way to yield to the explorer, and to permit its country at last to be efficiently mapped.

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